

**REGULAR MEETING
GREATER ASHEVILLE REGIONAL AIRPORT AUTHORITY
September 8, 2017**

The Greater Asheville Regional Airport Authority ("Authority") met on Friday, September 8, 2017 at 8:30 a.m. in the Conference Room at the Authority's Administrative Offices, Asheville Regional Airport ("Airport"), 61 Terminal Drive, Suite 1, Asheville, NC 28732.

MEMBERS PRESENT: Robert C. Roberts, Chair; Matthew C. Burrell, Vice-Chair; Andrew T. Tate; K. Ray Bailey; Stephanie Pace Brown; and David Gantt

MEMBERS ABSENT: William L. Moyer

STAFF AND LEGAL COUNSEL PRESENT: Cindy Rice, Authority Legal Counsel; Lew Bleiweis, Executive Director; Michael Reisman, Deputy Executive Director of Development and Operations; Kevan Smith, Chief of Public Safety; Suzie Baker, Director of Administration; Tina Kinsey, Director of Marketing and Public Relations; Janet Burnette, Director of Finance and Accounting; Shane Stockman, IT Director; John Coon, Director of Operations; Samuel Sales, Public Safety Captain

ALSO PRESENT: Amira Trebincevic, Delta Airlines; Mike Darcangelo, Avcon; Nick Loder, RS&H; Tracy Montross, American Airlines; James Seadler, American Airlines; Ken Moody, Delta Airport Consultants; Dan Benzon, Trillion Aviation; Daniel Meier, Allegiant Airlines

CALL TO ORDER: The Chair called the meeting to order at 8:30 a.m.

FINANCIAL REPORT: The Director reported on the airport activity for the month of July which included enplanements, aircraft operations, and general aviation activity. Janet Burnette reported on the financial activity for the month of July.

CONSENT ITEMS:

- A. Approval of the Greater Asheville Regional Airport Authority August 11, 2017 Regular Meeting Minutes:**
- B. Approval of Amendment to the FY17/18 Budget:**

BE IT ORDAINED by the Greater Asheville Regional Airport Authority that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2018:

Mr. Bailey moved to approve Consent Items A and B. Mr. Gantt seconded the motion and it carried unanimously.

OLD BUSINESS:

A. Public Hearing and Final Adoption of the Authority's Amended Ordinance 201601 for Airline Rates, Fees and Charges for the Asheville Regional Airport:

The Chair opened the floor to public comments at 8:36 a.m.

Tracy Montross of American Airlines stated that American Airlines supports the compromised agreement that has been presented. Ms. Montross further stated that while American believes the new rate agreement is both fair and reasonable for all airline stakeholders, American believes it is still problematic that the airport has decided to implement this agreement in rates by ordinance rather than a long-term lease. A lease agreement provides the airlines with an assured plan and rate structure by which year over year financial planning can be accomplished and rates by ordinance does not promote discussion among the airlines should changes to the structure need to be made. Ms. Montross also informed the Board that the only avenue that airlines have when there is a dispute with rates by ordinance is for the airlines to go to the FAA. Ms. Montross felt it was reasonable for the airlines to ask the Board to provide some reassurance that any changes made to the agreed upon rate structure be negotiated among all stakeholders. Ms. Montross also requested that the Board agree to reimburse the airlines for the non-signatory fees that were incurred during the period of July 2015 through October 2016 when the airlines rejected the proposed rate methodology and the process by which it was imposed. Ms. Montross thanked the Board for their time and the ability to serve the community.

Daniel Meier of Allegiant Airlines informed the Board that Allegiant values flexibility and feels it is very important that airports be run as businesses and have the ability to make changes to reflect the current environment. Mr. Meier stated that Allegiant supports the Authority going to a rates by ordinance structure. Allegiant came back to the table after already signing a lease agreement that was valued, but made the compromise to return to negotiations and collectively arrived at the current model presented today. Allegiant does not like the current model but is willing to accept it as long as the rates are by ordinance. Mr. Meier stated that compromises have been made by all parties but some are still pushing for a lease. Allegiant trusts that when it comes to rates by ordinance, the airport will consult with the airlines and there will be annual meetings to discuss the rates. The proposed rate model will be new for the airport and Mr. Meier felt it was beneficial not to have a long-term agreement when it is unproven as to how the rate

model will work. Mr. Meier stated that Asheville has been very successful and is important to Allegiant and thanked the Board for their time.

Amira Trebincevic of Delta Airlines stated that Delta's intent when negotiations began was to renew an agreement, not to go to a new rate model. Ms. Trebincevic stated that while flexibility can be a great thing, it's not necessarily great for business planning, revenue planning or for the cost structure. Signing a lease agreement gives a commitment to the community and Delta is ready to dedicate to Asheville. Ms. Trebincevic stated that all parties compromised on the new rate model and questioned why an airline wouldn't commit to Asheville. Ms. Trebincevic thanked the Board for their time.

Mr. Tate stated that from a commitment standpoint he understood the desire for forecasting assurance, but questioned if lease agreements bind Delta or any other carrier to serve this airport. Ms. Trebincevic stated that it binds you to a commitment to some space at the airport and it's an indicator. An airline wouldn't sign the agreement if they didn't have the intent to serve that market for that period of time and the time commitment varies in each market. It's not a service commitment, but rather it's an indicator of commitment.

The Chair asked Mr. Dan Benzon of Trillion Aviation if rates by ordinance was a trend or if Asheville was bucking the trend and what he saw in the marketplace. Mr. Benzon responded that rates by ordinance was in the minority of airports and that most airports have a use and lease agreement, however, it is trending up to where more airports are going to rates by ordinance or rates by resolution. It is unique to each airport to determine whether there is a lease or rates by ordinance. Mr. Benzon further stated that the rate methodology that the Board will decide whether or not to adopt is unique and this exact methodology has not been used anywhere else. Mr. Benzon referred to a letter to the airlines from the FAA last February which stated that the rates and charges policy emphasizes consultation with users and encourages negotiation in setting rates and charges. The letter further stated that it does permit an airport sponsor set these by ordinance, statute, resolution, or agreement. Mr. Benzon stated that the airport has a right to set the rates and charges by ordinance. Mr. Benzon further advised the Board that it doesn't mean that there shouldn't be an annual meeting and that the airport shouldn't continue as it does today to contribute over half the cost of the rates and charges. The airport currently contributes over \$2.7 million towards the rates and charges and Mr. Benzon highly encouraged the Board to continue to do that. As revenues from parking and rental cars increases, the Board was advised to continue to keep this as cost-effective as possible. Mr. Benzon stated that since this is a unique rate

methodology, it is uncertain how it will play out over the short-term and cited examples of factors that could affect the methodology.

Mr. Gantt asked what it was about Asheville that makes the rates by ordinance better for this airport than rates by agreement. Mr. Benzon replied that with the diverse airline business models in Asheville it is beneficial for the airport as the landlord to have as much ultimate control. Mr. Benzon gave an example of a situation with fees for deicing chemicals when the airport used a lease agreement with the airlines. Mr. Benzon stated that this does not take anything away from the partnership with the airlines, the consultation, and the continued sharing of the revenues, but being under an ordinance gives the airport the final say if changes need to be made.

Mr. Gantt asked the Director if there was anything in the ordinance that causes the legacy airlines to have concern that they won't have a say so in the future other than the airport's good faith. The Director responded that there was not but it's also the FAA process of what happens. If the airport was truly being discriminatory with the rates and charges, the airlines have the ability to go to the FAA and file a complaint.

Ms. Brown stated that she felt it was important to have a positive working relationship with the airlines and that with Allegiant the airport has demonstrated a tremendous amount of support in concessions and marketing and are happy with the success of the service. Ms. Brown further stated that ultimately what's best for the community isn't about the rates, it's about the service. The airport has a responsibility to operate in a sustainable manner but that going to rates by ordinance does not accomplish or further that bigger or more important goal of making sure there is vibrant air service that contributes to the economy. Ms. Brown asked Ms. Rice what mechanisms might be available to the Board in going in the direction of adopting rates by ordinance that would also provide some assurances to the airlines that the Board will not change the rates without due diligence and without consultation. Ms. Rice responded that there is an inherent piece that is built into the structure of how the Board adopts and amends ordinances. Part of that process is what's taking place today, which requires an introduction followed by a minimum of a 10-day public comment period and a public hearing. Also part of the ordinance process is information that is submitted to the airlines as part of a conversation in advance of the ordinance coming to the Board. The Director commented that as part of the grant assurance from the FAA, the airport is required to consult with the airlines as part of this process. Ms. Rice stated that the Board chose the ordinance procedure and can choose to amend this procedure but the Board needs to keep in mind that this would affect all ordinances to come before the Board.

Ms. Brown questioned if the ordinance process could be maintained but also adopt a motion that would identify commitment to operating under these rates for a certain amount of time and a process for re-evaluating the rates. Mr. Tate affirmed that this Board cannot bind a future Board, but can bind the current Board. Ms. Rice responded that a future Board can be bound if entering into a contract or something of that nature, but would caution against saying the Board will hold these ordinances for a certain amount of time. The Board could make a change to the schedule which is the attachment, the rates and ordinance has a further review and Ms. Rice offered to discuss this further in closed session.

The Chair stated that the Board is interested in negotiating in good faith and that this whole process proves that. The Board is trying to do the best for the community and for the relevance of the organization and that the organization is sustainable financially. The Chair further stated that from his standpoint, no matter what the Board does, it's in good faith. The Chair posed a question to the airlines as to whether they were better off now than they were prior to this process. The Director stated that this has been a three-year process and if the airlines had done two years ago what they did in the last 10 months, the airport wouldn't have gone to ordinance. There were two types of carriers operating that couldn't come to an agreement and by going to rates by ordinance is what forced the airlines to go back to the table.

James Seadler from American Airlines stated that the rates by ordinance did help move forward, but prior to that the airlines did not feel there was an opportunity for negotiations. If more time have been given at the beginning and the airlines had gone through the methodology, the airlines would likely have been able to come to a consensus and an agreement signed. Mr. Seadler also mentioned that the previous agreement that the airlines had was a 60-day agreement that did have some flexibility and if changes were needed, the airport had the ability to terminate the agreement with a 60-day notice. Mr. Seadler stated that American Airlines believes the methodology that has been created is better and supports it wholeheartedly. American Airlines wants to make sure the airlines continue with the methodology and have those negotiations moving forward.

Daniel Meier commented that the new rates are not overly detrimental and definitely not what Allegiant wants, but they are willing to compromise. Allegiant does not see a need for a lease as it doesn't demonstrate long-term commitment. Commitment to the community is growth.

Amira Trebincevic stated that the airport and airlines came to the table and got to an agreement and to just memorialize that and save everyone's time. It's something the airlines can live with for the next short-term agreement whether it be 60 days or a year

so that the airlines' financial planning cycles can depend on that. Ms. Trebincevic felt that an agreement would have been made if more time had been given at the beginning and that an agreement fosters the relationships and negotiations.

Ms. Rice informed the Board that there is a section of the ordinance that provides for the airport to give annual notice to the airlines of the schedule of rates, fees and charges for the upcoming fiscal year and read the section to the Board. The Director advised the Board that staff has always had a semi-annual meeting with the airlines to keep them abreast of where the airport is financially in addition to the annual meeting. The Director did not see a reason why that would not continue.

Ms. Brown suggested the Board hear quarterly about the viability of this new rate model and how it is performing. The Director stated that the information is shown in the monthly financials. Ms. Brown wasn't sure the monthly financials gave clarity on the components of the structure.

Mr. Bailey moved to close the floor to public comments at 9:25 a.m. Ms. Brown seconded the motion and it carried unanimously.

Mr. Gantt moved to adopt the proposed Amended Ordinance 201601 to implement the Amended Schedule of Airline Rates, Fees and Charges for the Asheville Regional Airport (FY 2017-2018). Mr. Bailey seconded the motion and it carried unanimously.

NEW BUSINESS:

A. Amendment to Supplemental Fees and Charges Schedule: The Director advised the Board that staff is seeking approval for an amendment to the Supplemental Fees and Charges Schedule to raise the parking rates in conjunction with the opening of the parking garage in November. Staff reviewed information on parking rates received from parking management firms as part of the bid process for the management of the parking lot. Staff also compared parking rates at other airports in the region. The Director further advised the Board that in order to maintain the debt coverage for the parking garage bond, enough revenue must be collected to support the garage debt. Staff anticipates that with an increase in parking rates, overall revenue will increase by approximately \$1.3 million which will be offset by debt service and maintenance reserves. The Director reviewed a new schedule that was available at the Board Members' seats that provides for an hourly rate for the long-term surface lot and parking garage. The Director advised the Board that staff is considering an app-based solution to pay for parking that gives a slight discount and has asked Ms. Rice to research the legal aspects.

Ms. Brown stated that she was not in favor of the discount on the app as it is complicated to communicate. Ms. Brown and thought it could be discriminatory if one method of payment is a different rate than another method of payment and the amount of the surcharge for using the app has to be minimal. Ms. Brown felt this was an unnecessary complexity that is not enough of an incentive to motivate the behavior the Board is interested in. Ms. Brown would be more in favor of dropping that differential as you can push special deals through the app that might be a more effective marketing program than trying to message that to people who are driving.

Mr. Burril asked if the app also reserves a spot. The Director responded not yet but there is a lot of technology implementation with the new parking garage and the new parking operator. It is staff's intent to work with LAZ Parking to be able to reserve spaces, pre-pay, etc.

Mr. Tate agreed with Ms. Brown that the benefit of the app should be convenience and efficiency for those that choose to use it, but that there should not be a price differential.

The Director stated that the \$13 a day is what staff is looking at to sustain the revenues and if in a few months staff is seeing that the pricing is gaining more revenue than necessary, it would be better to adjust prices down rather than up in a short period of time. The Director highlighted some of the prices at other area airports.

Mr. Burril asked for Mrs. Kinsey's thoughts on the app and what other ways it could be used. Mrs. Kinsey stated that staff has been in preliminary discussions with the new parking operator so there have not been any in-depth discussions of exactly what can be done. However, LAZ Parking does have the experience in working with airports to have meaningful marketing programs, especially with frequent travelers and business travelers. Mrs. Kinsey felt the airport has some good technology coming and a strong partner with LAZ Parking.

The Chair stated that there was a recommended action for this agenda item with the change. The Director stated that staff would remove the App Access from the Supplemental Fees and Charges Schedule.

Mr. Bailey moved to approve the amendment of the existing Supplemental Fees and Charges Schedule effective November 1, 2017, with one change, that being to remove proposed discounted rates when using an app, and authorize the Executive Director to implement the necessary changes. Mr. Burril seconded the motion and it carried unanimously.

DIRECTOR'S REPORT: The Director advised the Board that he had a few additional items to include that were not on the agenda.

A. Parking Garage Update: Michael Reisman updated the Board on the parking garage project. It was discovered about a month ago that the manufacturer of the glass for the glass curtain walls had a nation-wide recall for the film coating on the glass. An alternate glass has been approved and should start arriving on site the following week. This has caused a domino effect with the installation of the elevator which has a 10-week installation schedule. This will put the project right up against the timeline for the opening of the garage by Thanksgiving. The contractor is working with the sub-contractor to see what can be done to accelerate installation of the elevators once the glass is installed. The perforated metal panels on the east side of the garage are on-site and scheduled to be installed the following week.

B. Airfield Project Update: Michael Reisman reported that there are some delays on the airfield project. There have been some issues with the contractor hitting some of their milestones and the weather has not cooperated. Staff believes it will be difficult to meet the deadline and is working diligently with the contractor who is working multiple shifts a day and weekends to try and catch up. Staff hopes to know in the next few weeks whether or not the deadline will be met.

Mr. Gantt inquired if there was a clause in the contract for damages due to delays not relating to weather. Mr. Reisman responded that there are liquidated damages in the contract and there are also weather days built into the contract time. Liquidated damages that may be charged to the contractor would be for the contractor's own inefficiencies.

C. Change Order No. 6 for Parking Garage: The Director reported a \$9,000.00 change order in the parking garage project for an additional floor drain in the lower level of the garage that was missed during the design.

D. FAA Grant: Staff has been notified by the FAA of an additional \$5 million discretionary grant that is in process now. This will be the first grant that the Authority signs for without going to the city or county.

E. Elite Airways: Elite Airways is pulling their service effective November. Staff is not sure if this is seasonal or permanent as phone calls have been unanswered. All incentive monies have been stopped.

F. Hurricane Irma: The Director reported that there is an organization in the south called SEADOG that assists airports in times of disasters or emergency situations. Since

Asheville is part of this group, some of the airport's staff has been mobilized and ready to respond should it be necessary.

G. Rental Car Audit: The Director reported that the airport has the right to audit the rental car companies or any concession company to make sure that what is reported to the airport is true and accurate. Staff hired an audit firm to conduct the first audit at a cost of \$3,000.00. The audit was conducted on Avis and determined that Avis owed the Authority approximately \$10,000. Invoices will be submitted to Avis to make the payment including late fees, and audit fees. Staff is moving forward to conduct audits on the remaining rental car companies.

H. Opticwash: A machine to wash glasses and jewelry has been installed in the terminal. Asheville is one of six airports in the country to have this machine. The cost is \$2.00 per wash and the airport receives a percentage of that. Spicer Green Jewelers in Asheville is advertising on the front of the machine and are paying the company that owns the machines and the airport receives a portion of that revenue as well.

INFORMATION SECTION: No comments

PUBLIC AND TENANTS COMMENTS: No comments

CALL FOR NEXT MEETING: The next regular meeting of the Authority Board will be held on October 6, 2017. The Chair stated that at the October meeting he would like to discuss the following key priorities for the Board to create some action items. After a short discussion, it was determined that the topics would be Air Service Development, Master Plan, Long Term Economic Development, and Community Outreach.

The Chair further stated that at the next meeting there should also be a resolution on the non-signatory fee issue.

CLOSED SESSION: At 9:53 a.m. Mr. Tate moved to go into Closed Session Pursuant to Subsections 143-318.11(a)(3) and (4) of the General Statutes of North Carolina to Consult with Legal Counsel Regarding, Among Other Things, that Lawsuit Entitled Tricor Construction, Inc. vs. RS&H Architects-Engineers-Planners, Inc., Thalle Construction Co., Inc. and Liberty Mutual Insurance Company and vs. Defendant & Third-Party Plaintiff, Greater Asheville Regional Airport Authority, vs. Third-Party Defendant, Avcon, Inc., d/b/a Avcon Engineers and Planners, Inc., and that Informal Part 13 Complaint Filed with the Federal Aviation Administration on or about August 28, 2017 by the Aircraft Owners and Pilots Association, in Order to Preserve the Attorney-Client Privilege, and to Discuss Matters Relating to the Location and/or Expansion of Industries or Other Businesses in

the Area Served by the Greater Asheville Regional Airport Authority, Including Agreement on a Tentative List of Economic Development Incentives that may be Offered by the Greater Asheville Regional Airport Authority in Negotiations. Mr. Burril seconded the motion and it carried unanimously.

The Chair indicated they would break for 10 minutes at which time the Board would resume in Closed Session.

Open Session resumed at 10:35 a.m.

GREATER ASHEVILLE REGIONAL AIRPORT AUTHORITY SEPTEMBER 8, 2017

CLOSED SESSION MINUTES: Mr. Tate moved to seal the minutes for the Closed Session just completed and to withhold such Closed Session minutes from public inspection so long as public inspection would frustrate the purpose or purposes thereof. Mr. Bailey seconded the motion and it carried unanimously.

ADJOURNMENT: Mr. Bailey moved to adjourn the meeting at 10:35 a.m. Mr. Gantt seconded the motion and it carried unanimously.

Respectfully submitted,



Ellen Heywood
Clerk to the Board

Approved:



Robert C. Roberts
Chair